



STATE OF DELAWARE

OFFICE OF AUDITOR OF ACCOUNTS

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December 5, 2006

To the Board of Trustees
Delaware Agricultural Lands Preservation Foundation
Dover, Delaware

In planning and performing our audit of the financial statements of the Delaware Agricultural Lands Preservation Foundation – Administrative Funds (the Foundation) for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal control and operating efficiency. This letter does not affect our report dated December 5, 2006 on the financial statements of the Foundation.

The matters noted are only those that came to our attention and, had our procedures for internal control related matters been more extensive, other matters might have been noted. Also, the functioning of the internal control was assessed at a point in time, and no assurances can be drawn that the internal control is functioning or will continue to function beyond the point in time at which it was assessed. No opinion is being expressed regarding the internal control taken as a whole.

We will review the status of these findings during our next audit engagement.

The attached comments and recommendations in Appendix A are intended solely for the information and use of the Foundation's Board of Trustees and management, Department of Agriculture, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, and Department of Finance and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(c), this report is public record and its distribution is not limited.

R. Thomas Wagner, Jr., CFE, CGFM, CICA
Auditor of Accounts
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OTHER COMMENTS AND RECOMMENDATIONS

Finding – Policies and Procedures

Delaware Agricultural Lands Preservation Foundation does not have policies and procedures regarding the recording, processing, summarizing, and reporting of revenues, receivables, and receipts; expenditures; and payroll and related liabilities.

According to the State of Delaware *Budget and Accounting Manual*, "department or agency heads are responsible for establishing and maintaining an effective system of internal control." Additionally, the Manual states, "Internal control provides management with reasonable assurance that its policies and procedures are implemented and consistently followed to ensure efficient and effective organizational operation." Further, the Manual states, "A well designed system of controls must include written policies and procedures to ensure that each control objective is met."

By not maintaining sufficient policies and procedures for financial transactions, the Foundation has no true method of ensuring efficient and effective organizational operation.

Recommendation

Delaware Agricultural Lands Preservation Foundation develop and implement sufficient written policies and procedures governing the recording, processing, summarizing, and reporting of revenues, and receivables, and receipts; expenditures; and payroll and related liabilities. These policies and procedures should incorporate information such as:

- Sufficient segregation of duties or mitigating controls.
- Specific job functions for each employee, including preparation and review.
- Retainage of support documentation.

Auditee Response

In accordance with the Auditors' recommendations the Foundation will create a manual of procedures and policies governing all of the matters noted by the Auditors. This manual will be presented to the Foundation Board for approval at the January meeting.

Finding – Deposits Not Made Daily

Out of 25 deposits reviewed, one deposit of \$284 and another deposit of \$578 were not made until two business days after the funds were collected. Therefore, deposits are not made daily, when \$100 is collected, or at least weekly.

According to the State of Delaware *Budget and Accounting Manual*, "all monies which belong to the State are to be deposited on the day of receipt . . . with the exception of . . . when an agency receives less than \$100 in daily deposits. Those agencies which do receive less than \$100 in daily receipts, shall make a deposit when the accumulated undeposited receipts exceed \$100 or on a weekly basis, whichever occurs first."

The Foundation is not in compliance with State regulations in making deposits.

OTHER COMMENTS AND RECOMMENDATIONS

Recommendation

Delaware Agricultural Lands Preservation Foundation make deposits in accordance with the State of Delaware *Budget and Accounting Manual* regulations.

Auditee Response

It is now Foundation policy that any monies it receives in excess of \$100 will be deposited on the day they are received and staff has been reminded to rigorously follow this procedure.

Finding – Monthly Reconciliation

Delaware Agricultural Lands Preservation Foundation maintains checking account activity in a QuickBooks file. Monthly bank reconciliations are prepared using the QuickBooks reconciliation feature by the Accounting Specialist. The Accounting Specialist does not, however, sign and date the reconciliations denoting preparation. The reconciliations are also not signed and dated by a reviewer.

According to the State of Delaware *Budget and Accounting Manual*, "the following specific control objectives are widely accepted as elements of good control and should be used by management and financial managers:

Validation - ensuring that recorded transactions represent real transactions.

Authorization - ensuring that all transactions are approved by management."

Failure to sign and date bank reconciliations results in the failure to ascertain timely completion of reconciliations, as well as a failure of an outside reviewer to ensure that recorded transactions represent both real and authorized transactions.

Recommendation

The Foundation should ensure that all reconciliations are signed and dated by both the preparer and reviewer.

Auditee Response

It is now Foundation policy that the bank reconciliations will be signed and dated by the preparing Accounting Specialist and then reviewed, signed, and dated by the Chief of Planning or an assigned deputy, if the Chief of Planning is not available.